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S E C R E T SECTION 01 OF 03 ROME 000998

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SIPDIS

TREASURY FOR U/S LEVEY, CHRISTY CLARK, MOLLY MILLERWISE  
MEINERS AND DEANNA FERNANDEZ

E.O. 12958: DECL: 07/16/2018

TAGS: [EFIN](#) [IR](#) [KNNP](#) [PREL](#) [IT](#)

SUBJECT: TREASURY U/S LEVEY NOTES ITALIAN COOPERATION ON  
IRAN SANCTIONS; OUTLINES NEXT STEPS

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Classified By: Economic Minister-Counselor Tom Delare  
for reasons 1.4 (b) and (d).

11. (S/NF) Summary. Treasury Under Secretary for Terrorism and Financial Intelligence Stuart Levey visited Italy on July 14/15 to discuss efforts to increase financial pressure on Iran and prevent Iran from misusing the international financial system to support its proliferation activities. U/S Levey shared information regarding illicit and deceptive conduct by the Islamic Republic of Iran Shipping Lines (IRISL). He also previewed a USG initiative to sensitize insurers and reinsurers to IRISL,s and other Iranian companies' practices with a view to reevaluating their provision of insurance that could benefit Iran,s proliferation activities. Levey thanked the Italians for their efforts at the EU to buttress sanctions against Iranian banks involved in proliferation activities. Italian interlocutors welcomed U/S Levy's proposals and said they would examine the details closely to see how they fit into Italian laws. End Summary.

12. (C) During his July 14/15 visit to Rome, Treasury Under Secretary for Terrorism and Financial Intelligence Stuart Levey met with Bank of Italy Governor Mario Draghi, Ministry of Finance Director General for Financial Crimes Giuseppe Maresca, outgoing MFA Political Director Giulio Terzi, and Terzi's successor (current MFA Deputy Director General for Multilateral Integration Luca Giansanti.)

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Bank of Italy  
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13. (S) U/S Levey shared with Bank of Italy (BOI) Governor Mario Draghi specific information regarding illicit and deceptive conduct by the Islamic Republic of Iran Shipping Lines (IRISL), and he proposed sensitizing insurers and reinsurers to IRISL,s and other Iranian companies' practices with a view to reevaluating their provision of insurance that could benefit Iran,s proliferation activities. Draghi welcomed the initiative and suggested that Italy's interagency Financial Security Committee would be the venue for such discussions and also encouraged the U/S to visit with the oversight body of insurers and Minister Scajola. (Note: Scajola is Minister of Economic Development. Close to PM Berlusconi, his portfolio is growing ever wider, and apparently includes insurance oversight.)

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14. (S/NF) Thanking Italy for their recent cooperation at the EU in seeking to enhance the Common Position on Iran, U/S Levey asked what more Europe can do to prevent Iran from misusing the EU financial system to support its proliferation activities. Director General for Financial Crimes Guiseppe Maresca responded that he thought full implementation of the EU Common Position on UNSCR 1803 would occur by September. He said the delay is due to the fact that EU countries are still negotiating. Financial Crimes Unit Head Christina Collura noted that Italy had argued that the Common Position should contain policies that enhance vigilance against banks domiciled in Iran and should include specific measures against Bank Saderat. Italy pushed for proposals that would require Financial Intelligence Units to be notified prior to all transactions with Iran, but the EU-4 (Italy, UK, France and Germany) had agreed on post-transaction notification. Maresca observed that the Common Position would go beyond Financial Action Task Force recommendations concerning transactions involving Iranian banks. All transactions involving Iran pose a risk, Maresca said, and made clear that the GOI will not be satisfied with a cursory post-transaction review process.

15. (S/NF) In response to a question by U/S Levey regarding the status of Bank Sepah, Maresca said that Bank Sepah remains under administrative control by the BOI and that the organization is still paying out active accounts. In May, the terms of administrative control were extended for an additional six months. Each transaction is still under BOI scrutiny. The BOI is considering the final phase of its

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action, which could include shutting down the bank entirely, or leaving an office open, but not allowing it to do business. Maresca said that the BOI has yet to make a final decision on these two options.

16. (S/NF) Turning to next steps the international community can take on Iran, U/S Levey shared information on IRISL and again previewed the USG insurance initiative. Maresca welcomed the proposal and asked if there were any Italian companies that the USG believed were providing services to Iranian companies. U/S Levey replied that he was not aware of any, but, due to complexities of the international insurance industry, companies could be involved without their involvement being apparent. Referring to examples of deceptive bills of lading used by the Islamic Republic of Iran Shipping Lines (IRISL), Maresca promised to work with the Italian Customs Authority to ensure that inspectors at the ports had the latest information on deceptive Iranian practices and to ensure that Customs Agents were fulfilling Italy's obligations under UNSCR 1803. Maresca also offered to speak to Italian insurance companies to advise them of the risk to their business if they provided services to sanctioned Iranian companies. U/S Levey provided Maresca with points concerning the Italian firm Societa Esecuzione Lavori Idraulici (SELI) which is involved with the US-designated entity Ghorb Ghaeb. Ghorb Ghaeb is an IRGC-owned company that works on the Tehran Metro (the tunneling technologies involved in the work are of obvious WMD and proliferation concern.) Additionally, U/S Levey gave Maresca updated information on Bank Mellat, noting that the case against Mellat is very strong. Maresca agreed to examine carefully all of the information U/S Levey passed to him.

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MFA Terzi: Insurance Initiative Workable  
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17. (C) Political Director Giulio Terzi updated U/S Levey on

the status of UNSCR 1803 Common Position discussions in Brussels, noting that UNSCR 1803 implementation could be delayed until September. Highlighting EU-4 (Italy, UK, France and Germany) efforts to develop a strong common position including enhanced oversight on Iranian transactions, Terzi emphasized that Italy was working hard to encourage robust implementation at the EU-level. Expressing concern over the delay, Levey asked what, if anything, the USG could do to speed up implementation. Terzi suggested consulting with outlying countries Austria, Spain, Sweden and Cyprus and said he believed that the Austrians, in particular, were concerned that sanctions would soon be imposed on energy companies; Terzi thinks they are seeking to delay additional sanctions. Terzi proposed that the USG and others work to persuade the Austrians that there is no hidden agenda on the UNSCR 1803 common position and to assure the Austrians that oil sector sanctions are not imminent.

18. (S/NF) U/S Levey thanked Terzi for Italy's recent efforts at the EU to advance sanctions against Iran and noted that European actions send a signal to other states, particularly Gulf states, that pressure is mounting against banks who continue to support Iranian proliferation interests. Capitalizing on the successes of sanctions, U/S Levey briefed Terzi on the USG insurance initiative. Terzi responded that he would have to consult with his lawyers, but said he thought UNSCRs 1803 and 1737 provided a good legal base to "expand the scope" of actions. Calling the program "valuable," Terzi said that the GOI will act in areas where there is evidence of illicit activity.

19. (S/NF) In response to a question by the U/S concerning Italy's understanding of the situation in Iran, Terzi said that he had recently spoken with a professor at Tehran University who gave the impression that an internal debate was ongoing, but it was "nothing dramatic." The professor said that Iranian banks had reported 8 billion dollars of losses in the past year and that inflation was skyrocketing. Ahmadinejad may be less politically stable, Terzi commented, and reported that the professor said that even Ahmadinejad's response to Solana was less negative than previous responses. From accounts they are hearing, Terzi said, it appears that sanctions are having "some effect" on the regime.

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110. (S/NF) Terzi announced that the BOI recently issued their sixth advisory on doing business with Iranian banks. Noting the BOI's new warning was a positive step, U/S Levey handed over information to Terzi on Bank Mellat and the Italian Company SELI. Thanking the U/S for the information, Terzi pointed to recent strong statements on Iran by Prime Minister Berlusconi and Foreign Minister Frattini, but he said negotiators should take opportunities if minor openings appear on the Iranian side. Terzi concluded by noting the very positive results that have been achieved with Italy's consultations on the P5 + 1 process and suggested meeting in the Quint format at G-8 meetings to discuss Iran and other proliferation issues. (Comment: This is Terzi's way of reminding U/S Levey that Italy's new proactive role on Iran sanctions is coming alongside Italy's enhanced consultation role in the P5 + 1 process. End Comment.)

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Comment: New Government Signals Much  
More Cooperation on Iran Sanctions  
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111. (S) Comment: Since U/S Levey's last visit in November, Italy has a new government and a new attitude towards cooperation on U.S. Iran policies. Previous visits showed slight differences between the MFA and Ministry of Finance. This time, all our interlocutors were speaking from the same talking points and reflected a renewed willingness to work on areas of mutual concern. End Comment.

